ASSEMBLY BILL No. 688

Introduced by Assembly Member Matthews

February 17, 2005

An act to amend Sections 1324.2 and 1324.4 of, and to add Section 1324.15 to, the Health and Safety Code, relating to health facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 688, as introduced, Matthews. Health facilities: quality assurance fees.

Existing law provides for the licensure and regulation of health facilities by the State Department of Health Services. Existing law provides for the imposition of a quality assurance fee upon designated intermediate care facilities each state fiscal year, as a condition of participation in the Medi–Cal program. The fee is required to be imposed upon the entire gross receipts of each designated facility with the amount determined each quarter of the state fiscal year by multiplying the facility's gross receipts in the preceding quarter by 6 percent.

This bill would revise the formula for determining the amount of the fee and would provide that the fee imposed shall be in an amount per resident day to be determined based on the aggregate gross receipts of all of the facilities subject to the fee.

The bill would provide that these quality assurance fee provisions shall be implemented only as long as 4 conditions are met. The bill would also specify procedures that would apply if there is a delay in the implementation of the quality assurance fee provisions for any reason.

The bill would state the intent of the Legislature to offset the implementation of the quality assurance fee provisions by using

projected annual savings realized and any annual increase in federal financial participation due to the implementation of a modified rate structure for intermediate care facilities for the developmentally disabled.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 1324.2 of the Health and Safety Code is amended to read:

1324.2. (a) As a condition for participation in the Medi-Cal program, there shall be imposed each state fiscal year upon ~~the entire gross receipts of~~ a designated intermediate care facility a *uniform* quality assurance fee, as calculated in accordance with subdivision ~~(b)~~ *(c)*.

(b) The quality assurance fee to be paid pursuant to subdivision ~~(c)~~ *(d)* of Section 1324.4 shall be an amount ~~determined each quarter of the state fiscal year by multiplying the facility's gross receipts in the preceding quarter by 6 percent. For reporting purposes, the quality assurance fee is considered to be on a cash basis of accounting~~ *per resident day to be determined based on the aggregate gross receipts of all of the designated intermediate care facilities subject to the fee*.

(c) A uniform quality assurance fee shall be calculated as follows:

(1) The gross receipts shall be projected for all designated intermediate care facilities subject to the fee. The projection of gross receipts shall be based on prior rate year data.

(2) The aggregate projected gross receipts for all facilities subject to the fee determined pursuant to paragraph (1) shall be multiplied by an amount of up to 6 percent, and then divided by the projected total resident days of all facilities subject to the fee.

(d) This article shall be implemented only as long as all of the following conditions are met:

(1) The federal Centers for Medicare and Medicaid Services continues to allow the use of the provider assessment provided for in this article for purposes of this article.

(2) The state has continued its maintenance of effort for the level of state funding of reimbursement of the designated

intermediate care facilities for rate year 2004–05, and for every subsequent rate year, in an amount not less than the amount that the designated intermediate care facilities would have received under the rate methodology in effect on June 1, 2003, plus Medi–Cal's projected proportional costs for new state or federal mandates, not including the quality assurance fee.

(3) The full amount of the quality assurance fee assessed and collected pursuant to this article remains available to enhance federal financial participation in the Medi–Cal program or to provide additional reimbursement to, and to support facility quality improvement efforts in, the designated intermediate care facilities.

(4) Designated intermediate care facilities subject to the quality assurance fee pursuant to this article shall not be subject to any universal payment delay for the purpose of a prepayment review imposed to detect fraud and abuse and implemented by the department on other Medi–Cal providers in the 2004–05 rate year or any rate year thereafter. This subdivision shall not preclude the department from conducting reviews to detect fraud and abuse for individual designated facilities in accordance with department policy and procedures in effect prior to the 2004–05 rate year.

SEC. 2. Section 1324.4 of the Health and Safety Code is amended to read:

1324.4. (a) On or before August 31 of each year, each designated intermediate care facility subject to Section 1324.2 shall report to the department, in a prescribed form, the facility's ~~gross receipts~~ *total resident days and total payments made* for the preceding state fiscal year.

(b) On or before the last day of each calendar quarter, each designated intermediate care facility shall file a report with the department, in a prescribed form, showing the facility's ~~gross receipts~~ *total resident days and payments made* for the preceding quarter.

(c) A newly licensed care facility, as defined by the department, shall be exempt from the requirements of subdivision (a) for its *first* year of operation, but shall complete all requirements of subdivision (b) for any portion of the quarter in which it commences operations.

(d) The quality assurance fee, as calculated pursuant to subdivision ~~(b)~~ *(c)* of Section 1324.2, shall be paid to the department on or before the last day of the quarter following the quarter for which the fee is imposed*, except as provided in subdivision (g)*.

(e) The payment of the quality assurance fee *by* a designated intermediate care facility shall be reported as an allowable cost for Medi-Cal reimbursement purposes.

(f) The department shall make retrospective adjustments, as necessary, to the amounts calculated pursuant to subdivision ~~(b)~~ *(c)* of Section 1324.2 in order to assure that the ~~facility's~~ aggregate quality assurance fee for any particular state fiscal year does not exceed 6 percent of the ~~facility's~~ aggregate annual gross receipts*of the designated intermediate care facilities subject to the fee* for that year. *In no case shall the aggregate fees collected annually pursuant to this article exceed 6 percent of annual gross receipts for all of the designated intermediate care facilities subject to the fee.*

(g) If there is a delay in the implementation of this article for any reason, including a delay in the approval by the federal Centers for Medicare and Medicaid of the quality assurance fee or any state plan amendment necessary to implement this article in the 2005–06 rate year or in any other rate year, all of the following shall apply:

(1) Any facility subject to the fee may be assessed a fee by the department, but the facility shall not be required to pay the fee until both of the following has occurred:

(A) The methodology and any state plan amendments have been approved.

(B) The Medi–Cal rates are increased in accordance with subdivision (d) of Section 1324.2 and paid to facilities.

(2) If a designated intermediate care facility is receiving payment for services through a county organized health system, the department shall notify the county organized health system of its obligation to pay the increased rates to any designated intermediate care facility. The department shall devise a method to ensure that funding can be advanced to county organized health systems for this purpose.

(3) A facility that has been assessed a fee by the department shall pay the fee assessed within 60 days of the date rates are

established in accordance with subdivision (d) of Section 1324.2 and paid to facilities.

(4) The department shall accept a facility's payment notwithstanding that the payment is submitted in a subsequent fiscal year than the fiscal year in which the fee is assessed.

SEC. 3. Section 1324.15 is added to the Health and Safety Code, to read:

1324.15. It is the intent of the Legislature to offset the cost of implementing this article by using the projected annual savings realized and any annual increase in federal financial participation received by the state due to the implementation of a modified rate structure for intermediate care facilities for the developmentally disabled that would broaden the definition of services that can be provided by these facilities to include supports and services, such as day programs and transportation, or any annual savings realized from the depopulation of the Agnews Developmental Center.

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